

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**City of Chula Vista**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2002**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Chula Vista, California have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Financial Reporting Entity**

The City of Chula Vista, California (City), incorporated in 1911, was recognized as a city in the State of California by election in 1949. The City operates under an elected Council and appointed City Manager form of government and provides the following services as authorized by its charter: public safety, community services, engineering services, planning services, public works, general administrative services and capital improvements.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The Bayfront Conservancy Trust (Trust) is discretely presented in the basic financial statements. The City Council does not appoint a voting majority of the Trust's Board of Directors but the Trust is fiscally dependent on the City. The following entities are reported component units:

**Blended Component Units:**

*Redevelopment Agency of the City of Chula Vista (Agency)*

The Agency was created by the City of Chula Vista City Council (City Council) in October 1972. The Agency has been included in the accompanying basic financial statements since the City Council acts as the Agency's governing board and exerts significant influence over its operations. The Agency's operations are governmental in nature and, as such, have been included in the special revenue, capital projects, debt service funds.

*The Chula Vista Industrial Development Authority (Development Authority)*

The Development Authority was formed in 1982 for the purpose of promoting and developing commercial, industrial and manufacturing enterprises and encouraging employment. The Development Authority's financial data and transactions are included within the capital projects fund type.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**A. Reporting Entity, Continued**

*Chula Vista Public Facilities Financing Authority (Authority)*

The Authority was established by ordinance, pursuant to the City Charter and Constitution of the State of California, as a public body, acting to facilitate serving the public purposes of the City. The ordinance was adopted on April 4, 1995. The governing body of the Authority is comprised of the consenting members of the City Council. The Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to the City and/or to refinance outstanding obligations of the City.

**Discretely Presented Component Unit:**

*Chula Vista Bayfront Conservancy Trust (Trust)*

Included within the reporting entity as a discretely presented component unit is the Trust. The Trust was established to assist in carrying out the provisions of the City's Local Coastal Plan, as approved by the State Coastal Commission. The Trust is operating as a non-profit public benefit corporation established to ensure the protection of the environmentally sensitive areas of the Chula Vista Bayfront.

Complete financial statements for each of the individual component units may be obtained from the City of Chula Vista, 276 Fourth Avenue, Chula Vista, CA 91910.

**B. Basis of Presentation, Measurement Focus and Basis of Accounting**

The accounting policies of the City conform to generally accepted accounting principles. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

**Government-Wide Financial Statements**

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities and business-type activities for the City, the primary government, accompanied by a total column. A Discretely Presented Component Unit Activities column is presented after the total column. Fiduciary activities of the City are not included in these statements.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Presentation, Measurement Focus and Basis of Accounting, Continued***

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to, Due from other funds
- Advances to, Advances from other funds
- Operating transfers in, transfers out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met those qualifications.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Presentation, Measurement Focus and Basis of Accounting, Continued***

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Columns representing a discretely presented component unit and internal service funds are also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Change in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Presentation, Measurement Focus and Basis of Accounting, Continued***

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

**Fiduciary Fund Financial Statements**

Fiduciary fund financial statements include a Statement of Net Assets. The City's fiduciary funds represent agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting as are the governmental funds explained above.

Fiduciary fund types are accounted for according to the nature of the fund. The City has only agency funds, which are purely custodial in nature (assets equal liabilities), and thus do not involve measurement of results of operations.

***C. Recognition of Interest Liability***

Interest expenditures on long-term debt are recognized when payment is due. Proprietary fund interest expense is recognized as the liability is incurred.

***D. Use of Restricted and Unrestricted Net Assets***

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

***E. Encumbrances***

Formal budgetary integration is employed as a management control device. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute GAAP basis expenditures or liabilities because the commitments will be honored during the subsequent year. The commitments will be re-appropriated and honored in the subsequent year.

***F. Cash, Cash Equivalents and Investments***

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***F. Cash, Cash Equivalents and Investments, Continued***

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents including cash with fiscal agents.

***G. Inventories***

Inventories are valued on an average-cost basis which are adjusted to annual physical counts or estimates under the consumption method of accounting and are recorded in the internal service fund.

***H. Restricted Assets***

Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, certificate of participation or tax allocation bonds and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture.

***I. Land Held for Resale***

Land held for resale is recorded at the lower of cost or market, but not greater than the net realizable value. An amount equal to the carrying value of land is reserved in fund balance because such assets are not available to finance the City's current operations.

***J. Compensated Absences***

**Government-Wide Financial Statements**

For governmental and business-type activities, compensated absences are recorded as expenses and liabilities as incurred.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***J. Compensated Absences, Continued***

**Fund Financial Statements**

For governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

***K. Property Taxes***

Property taxes are levied based on a fiscal year (July 1 - June 30). Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Diego bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Code Section P70.

***L. Long-Term Debt***

**Government-Wide Financial Statements**

Long-term debt and other financial obligations are reported as liabilities in the appropriate funds.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

**Fund Financial Statements**

The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

***M. Use of Estimates***

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates and assumptions.



**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***N. Capital Assets***

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	25 years
Improvements other than buildings	15 years
Machinery and equipment	5-20 years
Infrastructure	15-50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure into the 2001-02 Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2001. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

***O. Public Facilities Financing***

Interest costs incurred from the date of borrowing to the completion of the improvement project(s) are capitalized, net of interest earnings, on all proprietary fund assets acquired with tax-exempt debt.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***P. Net Assets***

**Government-Wide Financial Statements**

*Invested in Capital Assets, Net of Related Debt* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Assets* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted Net Assets* – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

**Fund Financial Statements**

Reservations of fund balances of governmental funds and retained earnings of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

***Q. Implementation of New GASB Pronouncements***

In 2002, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*
- Statement No. 38, *Certain Financial Statement Note Disclosures*

GASB Statement No. 34 is a new financial reporting requirement for local governments in the United States. The City has implemented this pronouncement and has restructured much of the information that it has presented in the past. The main goal is to make the reports more comprehensive and easier to understand and use.

GASB Statement No. 37 address selected issues and amends GASB Statement No. 21, *Accounting for Escheat Property*, and No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. These Statements make selective changes including accounting for Escheat Property, Management's Discussion and Analysis, Capitalization of Construction Period Interest, Modified Approach for Reporting Infrastructure, Program Revenues and Major Fund Criteria.

GASB Statement No. 38 establishes and modifies disclosure requirements related to Summary of Significant Accounting Policies, actions taken to address violations of significant finance related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average daily cash and investment balances in these funds.

**A. Cash Deposits**

The carrying amount of the City's cash deposits were \$(1,107,793) at June 30, 2002. Bank balances before reconciling items were \$1,798,938 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment fund balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**B. Investments**

Under the provisions of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City is authorized to invest or deposit in the following:

- Bankers' acceptances
- Commercial paper
- Mutual funds and guaranteed contracts
- Local Agency Investment Fund
- Medium-term corporate notes
- Negotiable certificates of deposit
- Passbook savings account demand deposits
- Repurchase agreements
- Securities of the Federal government, or its agencies
- State and local agency bond issues
- Time certificates of deposit in California banks only

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued**

***B. Investments, Continued***

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, investments should be stated at fair value. The City reported its investments at fair value and the unrealized gains on investments amounted to \$1,319,178 for the fiscal year ended June 30, 2002.

***C. Credit Risk***

Governmental Accounting Standards Board Statement No. 3 requires that deposits and investments be classified by credit risk.

Classification of deposits and investments by credit risk:

**Deposits**

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

**Investments**

Category 1 - Insured and registered or securities held by the City or by its agent in the City's name.

Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

Investments Not Subject to Categorization - Investments in the California Local Agency Investment Fund (LAIF) are not categorized, as GASB Statement No. 3 does not require categorization of investment pools managed by another government. Certain fiscal agent investments are not categorized because the underlying assets are open-ended mutual funds. Guaranteed investment contracts are not categorized because they are direct contractual investments and are not securities. All such investments are not required to be categorized under interpretive guidelines issued by the GASB.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued**

**D. Summary of Cash and Investments**

The following is a summary of pooled cash and investments, including restricted cash and investments at June 30, 2002:

	Government-Wide Statement of Net Assets				
	Governmental Activities	Business Type Activities	Total	Discrete Component Unit	Fiduciary Funds Statement of Net Assets
					Total
<b>Cash and Investments</b>	<b>\$ 160,437,700</b>	<b>\$ 3,126,519</b>	<b>\$ 163,564,219</b>	<b>\$ 323,174</b>	<b>\$ 32,418,208</b>
<b>Restricted Cash and Investments:</b>					
Held by City	\$ 3,655,076	\$ -	\$ 3,655,076	\$ -	\$ -
Held by fiscal agents	69,970,295	-	69,970,295	-	42,763,514
<b>Total restricted cash and investments</b>	<b>\$ 73,625,371</b>	<b>\$ -</b>	<b>\$ 73,625,371</b>	<b>\$ -</b>	<b>\$ 42,763,514</b>
					<b>\$ 116,388,885</b>

Deposits and investments held by the City at June 30, 2002, are summarized below:

	Category 1	Category 2	Uncategorized	Carrying Amount
<b>City Treasury:</b>				
Cash Deposits:				
Demand deposits	\$ (1,107,793)	\$ -	\$ -	\$ (1,107,793)
Time deposits	310,000	-	-	310,000
Petty cash	-	-	4,470	4,470
Total cash deposits	(797,793)	-	4,470	(793,323)
Investments:				
Securities of U.S. government agencies	-	143,068,878	-	143,068,878
Corporate bonds	-	43,333,529	-	43,333,529
Local agency investment funds	-	-	10,696,517	10,696,517
Total investments	-	186,402,407	10,696,517	197,098,924
<b>Total City Treasury</b>	<b>(797,793)</b>	<b>186,402,407</b>	<b>10,700,987</b>	<b>196,305,601</b>
<b>Restricted Cash and Investments:</b>				
Held by City:				
Housing rehab account	100,000	3,301,670	-	3,401,670
Orange tree mobile home park account	100,000	153,406	-	253,406
Total held by City	200,000	3,455,076	-	3,655,076
Held by fiscal agents	-	-	112,733,809	112,733,809
<b>Total restricted cash and investments</b>	<b>-</b>	<b>-</b>	<b>112,733,809</b>	<b>116,388,885</b>
<b>Total cash and investments</b>	<b>\$ (797,793)</b>	<b>\$ 186,402,407</b>	<b>\$ 123,430,326</b>	<b>\$ 312,694,486</b>

The City had no Category 3 cash and investments.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued**

***E. Investments in Local Agency Investment Fund***

The City invests in the Local Agency Investment Fund (LAIF), a State of California investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The City valued its investments in LAIF as of June 30, 2002, at amortized cost which approximate the fair value. The fair value is calculated by multiplying the account balance with LAIF times a fair value factor of 1.002780144 which is determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value.

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2002, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO) or credit card receivables.

As of June 30, 2002, the City had \$10,696,517 invested in LAIF, which had invested 3.086% of the pool investment funds in Structured Notes and Asset-Backed Securities.

***F. Summary of Investments to Maturity***

Investments held in the City Treasury grouped by maturity date at June 30, 2002, are shown below:

<u>Maturity</u>	
Current to one year	\$ 31,933,168
One to two years	12,259,340
Two to three years	53,450,000
Three to four years	74,309,127
Four to five years	25,147,289
<b>Total</b>	<u><u>\$ 197,098,924</u></u>

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**3. RECEIVABLES**

***A. Accounts Receivable***

At June 30, 2002, the City had the following accounts receivable:

Motor vehicle license fee	\$ 973,032
Franchise fees	3,258,648
Lease rent	15,819
Developer reimbursement	1,029,790
Staff time reimbursement	624,851
Recreation programs	49,878
Sewer Fees	2,171,542
Transit	163,939
Miscellaneous	7,654
<b>Total</b>	<b>\$ 8,295,153</b>

***B. Taxes Receivable***

At June 30, 2002, the City had the following taxes receivable:

Sales taxes	\$ 3,563,699
Highway Users Tax	320,000
Property Tax	557,117
Utility Users Tax	350,176
Transient Occupancy Tax	457,134
<b>Total</b>	<b>\$ 5,248,126</b>

***C. Interest Receivable***

At June 30, 2002, the City had the following interest receivable:

**Primary Government**

Investment pool	\$ 2,429,300
South Bay Community Villas L.P.	73,710
CHIP Accounts	228,925
Eastlake Development	149,785
SBCS	784,223
Chelsea Investment	51,057
Gillespie	15,030
St Regis	168,281
<b>Total</b>	<b>\$ 3,900,311</b>

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**3. RECEIVABLES, Continued**

*C. Interest Receivable, Continued*

**Discrete Component Unit, Bayfront Conservancy Trust**

Investment pool	<u><u>\$ 1,862</u></u>
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*D. Loans Receivable*

At June 30, 2002, the City had the following loans receivable:

South Bay Community Services	\$ 3,510,085
South Bay Community Villas L.P.	4,400,000
Girls and Boys Club Construction Loan	206,250
USA Softball Team	300,000
Chula Vista Rehabilitation CHIP Loans	3,973,848
Civic Center Barrio Housing Corporation Loan	272,008
Scripps Memorial Hospital Loan	300,000
Mobile Home Assistance Programs	82,282
Eastlake Development Company Loan	800,000
Chelsea Investment Corporation/Sunbow Services Co., LLC	1,662,152
Other loans receivable	<u>162,537</u>
<b>Total</b>	<u><u>\$ 15,669,162</u></u>

*South Bay Community Services*

The City entered into several loan agreements with South Bay Community Services, a California non-profit public benefit corporation. Prior years' loan was made to South Bay Community Services for the purpose of purchasing a 14-unit apartment building. In fiscal year 1998, a loan to fund the Trolley Terrace 13-unit project and the Cordova Village 40-unit project were made. These projects are to provide housing to very low-income families. The funds were made available to the City through a drawdown from the U.S. Department of Housing and Urban Development. Included in the current year balance is the \$887,995 loaned by the Agency. Deed of trusts and assignment of rents secure the notes. Principal and interest are payable annually out of any and all residual receipts derived from the property and/or operation of the property. Fund balance has been reserved in the Sundry Grants Special Revenue Fund and in the Agency's Low & Moderate Housing Fund. Interest accrues annually on the unpaid balance at 6% and 3% respectively. Interest of \$784,224 has been deferred at June 30, 2002, (See Note 7). The outstanding balance is \$3,510,085.



**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**3. RECEIVABLES, Continued**

***D. Loans Receivable, Continued***

*South Bay Community Villas, L.P.*

The City entered into a loan agreement with South Bay Community Villas, L.P. for the development of the Heritage Town Center multi-family rental housing project. Agency assistance is in the form of residual receipt loan secured by a promissory note and deed of trust. The outstanding principal and interest on the loan will be repaid over fifty five years and shall accrue interest at 3% per annum. Payment of principal and interest on the Agency loan shall be made on an annual basis, out of a fund equal to fifty percent of the net cash flow of the project(residual receipts) after debt service on bonds, payment of deferred developers fee, and reasonable operating expense have been paid. Fund balance has been reserved in the Low and Moderate Income Housing Fund. The outstanding balance of the loan as of June 30, 2002 is \$4,400,000. Interest of \$73,710 has been deferred at June 30, 2002.

*Girls and Boys Club Construction Loan*

The City has made a loan of \$250,000 for construction of a new facility for the Boys and Girls Club. The loan is interest free and will be repaid with equal annual payments over 20 years, starting in February 1999. Fund balance has been reserved in the General Fund. The outstanding balance is \$206,250.

*USA Softball Team*

The City has made a loan up to \$500,000 for the construction of a softball field and related athletic facilities. The loan is interest free and will be repaid with equal annual payments over three years, starting in January 2001. Fund balance has been reserved in the General Fund. The outstanding balance is \$300,000.

*Chula Vista Rehabilitation CHIP Loans*

The Chula Vista Rehabilitation Community Housing Improvement Program (CHIP) is under the direct control of the Agency. CHIP offers deferred and low interest rate home improvement loans to qualified borrowers residing within a target area. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans. The program was originally funded entirely with Community Development Block Grant Federal funds. In recent years, the Agency began supplementing the program due to decreased availability of Federal grants. The outstanding principal balances of the CHIP loans in the City's Housing Program Fund and Redevelopment Agency Fund are \$442,901 and \$3,530,947, respectively, at June 30, 2002. Fund balance has been reserved. Interest of \$228,926 has been deferred at June 30, 2002, (See Note 7). The balance is \$3,973,848.

*Civic Center Barrio Housing Corporation Loan*

In 1991, the Agency entered into a loan agreement with the Civic Center Barrio Housing Corporation, a California non-profit public benefit corporation. The loan was made for the purchase of land and the development of a 28-unit low-income housing project. During 1992, the loan was assigned to Park Village Apartments Ltd., a California limited partnership in which Civic Center Barrio Housing Corporation is the managing general partner. The loan is secured by a deed of trust on the property and assignment of rents. Principal and interest are payable monthly. Interest accrues annually at 5% of the unpaid principal balance of the note. Fund balance has been reserved in the Redevelopment Agency Special Revenue Fund. The outstanding amount is \$272,008.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**3. RECEIVABLES, Continued**

***D. Loans Receivable, Continued***

*Scripps Memorial Hospital Loan*

The Agency entered into agreements with Scripps Memorial Hospital (Scripps), a California non-profit corporation. The loan was made so Scripps could provide relocation assistance to Rollerskateland as part of Scripps expansion in the City. The loan is an unsecured promissory note. Interest accrues annually at 4.5% through December 1987 and 8% for the remaining period; interest is due and payable December 20, 2004. The loan may be required to be paid earlier in the event of default. Fund balance has been reserved in the Redevelopment Agency Capital Projects Fund. The outstanding balance is \$300,000.

*Mobile Home Assistance Programs*

The Agency entered into agreements with eligible residents of the Orange Tree Mobile home Park, whereby the Agency loaned \$250,030 as permanent financing assistance to residents for the purpose of purchasing certain mobile home property. The loans are secured by deeds of trust on the property and mature in 2017 or when the property is sold. Contingent interest will be charged based on calculations specified in the agreement. Fund balance has been reserved in the Redevelopment Agency Special Revenue Fund. The outstanding amount is \$82,282.

*Eastlake Development Company Loan*

The City loaned \$800,000 to Eastlake Development Company, a California General Partnership in accordance with an agreement dated March 21, 1996. Interest accrues at the rate of 3% per annum, compounded annually, on each anniversary date of the effective date of the agreement until July 1, 1999, and thereafter at the rate of the City's average quarterly interest earnings rate on the City's investment pool. All principal and accumulated interest thereon is due and payable on demand after July 1, 1999. Fund balance has been reserved and interest of \$149,786 has been deferred in the Development Impact Funds Capital Projects Fund (See Note 7). The outstanding balance is \$800,000.

*Chelsea Investment Corporation/Sunbow Services Company, LLC*

The Agency entered into a residual receipts loan agreement with Chelsea Investment Corporation/Sunbow Services Company, LLC for the development of the proposed 132 unit Villa Serena senior affordable housing project. The loan amount of \$275,000 was funded by the Agency's Low & Moderate Income Housing Fund. Terms of the loan will be for 52 years at 6% per annum. Principal and interest payments will be made on an annual basis out of a fund equal to 90% of the "Residual Receipts." Interest of \$51,058 has been deferred at June 30, 2002, (See Note 7). The outstanding balance is \$275,000.

The Agency entered into a loan agreement with Chelsea Investment Corporation for the acquisition and rehabilitation of the 119-unit Pear Tree Apartments at 1025 Broadway. All units will be affordable to low-income households. The loan is secured by a Deed of Trust and will accrue 6% interest for 52 years. Payment of principal and interest shall be made on an annual basis out of a fund equal to 90% of the residual receipts. Interest of \$168,282 has been deferred at June 30, 2002, (See Note 7). The outstanding balance is \$1,387,152.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**3. RECEIVABLES, Continued**

***D. Loans Receivable, Continued***

*Other Loans Receivable*

Other loans receivable amount to \$162,537 and are loans to Evelyn Gillespie and Antigua for the First Time Home Buyers Program.

**4. INTERFUND TRANSACTIONS**

***A. Government-Wide Financial Statements***

**Transfers**

At June 30, 2002, the City had the following operating transfers:

	Transfers Out	
	Business-Type	
	Activities	Total
<b>Transfers In</b>	Governmental	
	Activities	
	\$ 45,179	\$ 45,179
	Component Unit	447
	<b>Total</b>	<b>\$ 45,626</b>

***B. Fund Financial Statements***

**Due To, Due From**

As of June 30, 2002, balances were as follows:

	Due From Other Funds				
	Development				
	General	Sewer Special Revenue	Impact Capital Projects	Non-major Governmental Funds	Total
<b>Due To Other Funds</b>	Development Impact Capital Projects	\$ -	\$ 1,554,310	\$ -	\$ 1,554,310
	Redevelopment Agency				
	Capital Projects	-	300,612	-	300,612
	Non-major Governmental Funds	1,400,461	6,406,485	338,866	8,145,813
	<b>Total</b>	<b>\$ 1,400,461</b>	<b>\$ 6,406,485</b>	<b>\$ 338,866</b>	<b>\$ 10,000,735</b>

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**4. INTERFUND TRANSACTIONS**

***B. Fund Financial Statements, Continued***

**Long-Term Advances**

		Advances to				
		General	Sewer Special Revenue	Development Impact Capital Projects	Redevelopment Agency Capital Projects	Non-major Governmental Funds
Advances from	Development Impact Capital Projects		798,000	-	-	-
	Redevelopment Agency					
	Capital Projects	-	799,679	-	-	-
	Non-major Governmental Funds	20,105,078	10,461,742	1,116,150	9,251,932	727,936
	<b>Total</b>	<b>\$ 20,105,078</b>	<b>\$ 12,059,421</b>	<b>\$ 1,116,150</b>	<b>\$ 9,251,932</b>	<b>\$ 727,936</b>
						<b>\$ 43,260,517</b>

The Agency has entered into reimbursement agreements with the City to reimburse the City for certain lease payments made by the City under various lease agreements. The balance as of June 30, 2002, is \$16,805,030.

The City Council authorized various loans to the Agency for operating purposes. The terms of the loans are indefinite. The balance as of June 30, 2002, was \$3,300,047.

The Bayfront Town Centre I Capital Projects Fund has advanced \$15,828,397 to other capital projects funds for operating purposes. The terms of the advances are indefinite. The balance was \$9,251,932 at June 30, 2002.

The Agency has recorded an advance from the Low and Moderate Income Housing Fund for the 20% set aside for tax increment received in the Redevelopment Agency Capital Projects Fund. This amount is required to be deposited into the Low and Moderate Income Housing Fund. The outstanding amount was paid off during the fiscal year ended June 30, 2002.

The City Council authorized loans with indefinite terms to the Gas Tax Fund for \$68,159; Storm Drain Fund for \$1,428,548; Special Assessment District Improvement Funds for \$102,480; Salt Creek for \$9,590,492; Transportation Development Impact Fee Fund for \$798,000 and General Fund for \$1,116,150. The Assessment District loans are due and payable in 10 years, with the first payment due upon completion of the project.

The City Council authorized various loans from the Trunk Sewer Capital Reserve Fund to Transportation Development Impact Fee for the Otay Valley widening project and to Redevelopment Agency for operating purposes. The balance as of June 30, 2002 was \$798,000 and \$799,679 respectively.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**4. INTERFUND TRANSACTIONS, Continued**

**Discrete Component Unit, Bayfront Conservancy Trust**

<b>General Fund</b>	\$ 3,911,561
<b>Capital Projects Fund:</b>	
Redevelopment Agency Fund	<u>4,690,461</u>
<b>Total</b>	<u><u>\$ 8,602,022</u></u>

The City Council authorized various loans with indefinite terms to the Bayfront Conservancy Trust for operating purposes. The balance as of June 30, 2002 was \$3,911,561.

The Agency has recorded various advances to the Bayfront Conservancy Trust for operating purposes. The terms of the advances are indefinite. The balance as of June 30, 2002 was \$4,690,461.

**Operating Transfers**

Operating transfers for the year ended June 30, 2002, were as follows:

		Transfers Out							
		General	Sewer Special Revenue	Development Impact Capital Projects	Redevelopment Agency Capital Projects	Capital Improvement Capital Projects	Non-major Governmental Funds	Transit Enterprise	Internal Service Fund
<b>Transfers In</b>	General	\$ -	\$ 6,432,233	\$ -	\$ 15,000	\$ 5,205,000	\$ 3,332,997	\$ -	\$ 25,000
	Sewer Special Revenue	-	1,000,000	-	-	-	340,000	-	-
	Redevelopment Agency Capital Projects						1,948,044		
	Development Impact								
	Capital Projects	-	-	7,000,000	-	-	3,700,000	-	-
	Non-major Governmental								
	Funds	1,870,405	1,468,241	1,687,089	9,986,840	-	361,461	45,626	67,995
	Internal Service Fund	9,422	-	-	-	-	-	-	-
	Component Unit	447	-	-	-	-	-	-	-
	<b>Total</b>	<u>\$ 1,880,274</u>	<u>\$ 8,900,474</u>	<u>\$ 8,687,089</u>	<u>\$ 10,001,840</u>	<u>\$ 5,205,000</u>	<u>\$ 9,682,502</u>	<u>\$ 45,626</u>	<u>\$ 92,995</u>
									<u>\$ 44,495,800</u>

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**5. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

At June 30, 2002 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total	Component Unit
Non-depreciable assets:				
Land	\$ 43,234,163	\$ -	\$ 43,234,163	\$ -
Construction in process	38,109,246	-	38,109,246	-
	<u>81,343,409</u>	<u>-</u>	<u>81,343,409</u>	<u>-</u>
Depreciable Assets:				
Buildings	43,365,060	-	43,365,060	56,760
Machinery and equipment	24,318,299	11,831,116	36,149,415	1,234,517
Improvement other than buildings	58,147,766	-	58,147,766	-
Infrastructure	370,485,834	-	370,485,834	-
	<u>496,316,959</u>	<u>11,831,116</u>	<u>508,148,075</u>	<u>1,291,277</u>
Less accumulated depreciation	<u>(184,872,742)</u>	<u>(3,879,736)</u>	<u>(188,752,478)</u>	<u>(1,030,768)</u>
Total depreciable assets, net	<u>311,444,217</u>	<u>7,951,380</u>	<u>319,395,597</u>	<u>260,509</u>
<b>Total capital assets</b>	<u>\$ 392,787,626</u>	<u>\$ 7,951,380</u>	<u>\$ 400,739,006</u>	<u>\$ 260,509</u>

The following is a summary of capital assets for governmental activities for the year ended June 30, 2002

	Balance July 1, 2001	Additions	Deletions	Prior Period Adjustments Note 12	Balance June 30, 2002
Land	\$ 24,782,271	\$ 4,809,953	\$ -	\$ 13,641,939	\$ 43,234,163
Buildings	43,265,384	118,550	(1,273,567)	1,254,693	43,365,060
Improvements other than buildings	9,880,833	-	(31,479)	48,298,412	58,147,766
Construction in progress	15,337,255	22,890,541	(118,550)	-	38,109,246
Machinery and equipment	26,266,568	3,921,011	(5,869,280)	-	24,318,299
Infrastructure	-	11,692,447	-	358,793,387	370,485,834
	<u>119,532,311</u>	<u>43,432,502</u>	<u>(7,292,876)</u>	<u>421,988,431</u>	<u>577,660,368</u>
Less accumulated depreciation	<u>(6,081,873)</u>	<u>(13,542,416)</u>	<u>3,962,665</u>	<u>(169,211,118)</u>	<u>(184,872,742)</u>
<b>Total governmental activities</b>	<u>\$ 113,450,438</u>	<u>\$ 29,890,086</u>	<u>\$ (3,330,211)</u>	<u>\$ 252,777,313</u>	<u>\$ 392,787,626</u>

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**5. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

Governmental activities depreciation expense for capital assets for the year ended June 30, 2002 are as follows:

General government	\$	408,994
Public safety		804,591
Public works		10,484,818
Parks and recreation		196,798
Library		414,917
<b>Total depreciation expense</b>	<b>\$</b>	<b>12,310,118</b>

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2001	Additions	Deletions	Prior period Adjustments	Balance June 30, 2002
Machinery and equipment	3,892,025	3,248,226	(40,445)	4,731,310	11,831,116
	3,892,025	3,248,226	(40,445)	4,731,310	11,831,116
Less accumulated depreciation	(3,071,407)	(684,641)	34,022	(157,710)	(3,879,736)
<b>Total business-type activities</b>	<b>\$ 820,618</b>	<b>\$ 2,563,585</b>	<b>\$ (6,423)</b>	<b>\$ 4,573,600</b>	<b>\$ 7,951,380</b>

Depreciation expense for business-type activities for the year ended June 30, 2002 are as follows:

Transit Fund	<u>\$ 684,641</u>
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The following is a summary of capital assets for Bayfront Conservancy Trust component unit activities:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Buildings	\$ 56,760	\$ -	\$ -	\$ 56,760
Machinery and equipment	1,287,682	41,349	(94,514)	1,234,517
	1,344,442	41,349	(94,514)	1,291,277
Less accumulated depreciation	(893,335)	(205,568)	68,135	(1,030,768)
<b>Total component unit activities</b>	<b>\$ 451,107</b>	<b>\$ (164,219)</b>	<b>\$ (26,379)</b>	<b>\$ 260,509</b>

Depreciation expense was \$205,568 the year ended June 30, 2002.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**5. CAPITAL ASSETS, Continued**

**B. Fund Financial Statements**

The fund financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

**6. LONG-TERM DEBT**

**Governmental Activities Long-Term Debt**

Summary of changes in governmental activities long-term debt for the year ended June 30, 2002 was as follows:

	Balance July 1, 2001	Debt Issued	Debt Retired	Balance June 30, 2002	Due in one year	Due in more than one year
Tax allocation bonds	\$ 43,855,000	\$ -	\$ (525,000)	\$ 43,330,000	\$ 580,000	\$ 42,750,000
Pension obligation bonds	15,971,354	285,095	(800,000)	15,456,449	895,000	14,561,449
Certificate of participation	37,240,000	60,145,000	(2,140,000)	95,245,000	2,340,000	92,905,000
Notes payable	757,739		(108,483)	649,256	142,238	507,018
Capital leases	3,989,774	2,672,402	(942,959)	5,719,217	976,425	4,742,792
Compensated absences	3,367,019	3,782,445	(3,120,494)	4,028,970	3,245,918	783,052
<b>Total</b>	<b>\$105,180,886</b>	<b>\$66,884,942</b>	<b>\$ (7,636,936)</b>	<b>\$ 164,428,892</b>	<b>\$ 8,179,581</b>	<b>\$ 156,249,311</b>

**A. Tax Allocation Bonds**

	Balance July 1, 2001	Debt Issued	Debt Retired	Balance June 30, 2002
1994 Senior Tax Allocation				
Refunding Bonds, Series A	\$ 13,880,000	\$ -	\$ (225,000)	\$ 13,655,000
1994 Senior Tax Allocation				
Refunding Bonds, Series D	5,390,000	-	(75,000)	5,315,000
1994 Subordinate Tax Allocation				
Refunding Bonds, Series C	7,585,000	-	(125,000)	7,460,000
2000 Tax Allocation Bonds	17,000,000	-	(100,000)	16,900,000
<b>Total</b>	<b>\$ 43,855,000</b>	<b>\$ -</b>	<b>\$ (525,000)</b>	<b>\$ 43,330,000</b>



**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

**A. Tax Allocation Bonds, Continued**

1994 Senior Tax Allocation Refunding Bonds, Series A

In November 1994, the Agency issued \$14,810,000 1994 Senior Tax Allocation Refunding Bonds, Series A, to refund the 1986 Tax Allocation Bonds. The bonds consist of \$1,585,000 serial bonds which mature from 1998 to 2004 in amounts ranging from \$185,000 to \$275,000 and \$12,885,000 term bonds which mature in 2024. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 5.85% to 7.625%. Bonds maturing on or after September 1, 2006, are subject to optional redemption on any interest payment date on or after September 1, 2005, at various redemption prices. The annual debt service is paid from property tax increment generated in the project area. The balance outstanding as of June 30, 2002, was \$13,655,000.

The annual debt service requirements for the 1994 Senior Tax Allocation Refunding Bonds, Series A outstanding at June 30, 2002, were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 240,000	\$ 1,027,751	\$ 1,267,751
2004	255,000	1,010,254	1,265,254
2005	275,000	991,969	1,266,969
2006	295,000	971,235	1,266,235
2007	315,000	947,978	1,262,978
2008-2012	1,980,000	4,324,519	6,304,519
2013-2017	2,860,000	3,128,347	5,988,347
2018-2022	4,125,000	1,730,685	5,855,685
2023-2025	3,310,000	1,037,953	4,347,953
<b>Total</b>	<b>\$ 13,655,000</b>	<b>\$ 15,170,691</b>	<b>\$ 28,825,691</b>

1994 Senior Tax Allocation Refunding Bonds, Series D

In February 1996, the Agency issued \$5,680,000 1994 Senior Tax Allocation Refunding Bonds, Series D, to refund the Agency's Bayfront/Town Centre Redevelopment Project 1994 Senior Tax Allocation Refunding Bonds, Series B. The 1994 Bonds, Series B, were paid off with the bond proceeds. The bonds are term bonds, which mature in 2024. Interest is payable semi-annually on March 1 and September 1 at 8.625%. The bonds are subject to redemption prior to maturity on any interest payment date, on or after September 1, 2006, at various redemption prices. The bonds are subject to mandatory sinking fund redemption prior to maturity, in part, by lot on September 1, 1997, and on each September 1 thereafter, without premium, from 1988 to 2024 in amounts ranging from \$60,000 to \$495,000. The annual debt service is paid from property tax increment generated in the project area. The balance outstanding at June 30, 2002, was \$5,315,000.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

***A. Tax Allocation Bonds, Continued***

The annual debt service requirements for the 1994 Senior Tax Allocation Refunding Bonds, Series D outstanding at June 30, 2002 were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 80,000	\$ 454,968	\$ 534,968
2004	90,000	447,637	537,637
2005	95,000	439,659	534,659
2006	105,000	431,034	536,034
2007	110,000	421,762	531,762
2008-2012	720,000	1,940,624	2,660,624
2013-2017	1,090,000	1,282,751	2,372,751
2018-2022	1,655,000	941,203	2,596,203
2023-2025	1,370,000	485,803	1,855,803
<b>Total</b>	<b>\$ 5,315,000</b>	<b>\$ 6,845,441</b>	<b>\$ 12,160,441</b>

**1994 Subordinate Tax Allocation Refunding Bonds, Series C**

In November 1994, the Agency issued \$8,195,000 1994 Subordinate Tax Allocation Refunding Bonds, Series C, to refund the 1986 Tax Allocation Bonds. The bonds consist of \$930,000 serial bonds which mature from 1998 to 2004 in amounts ranging from \$100,000 to \$145,000 and term bonds of \$2,255,000 and \$4,925,000 which mature in 2014 and 2024, respectively. Interest is payable semiannually on May 1 and November 1 at interest rates ranging from 5.95% to 8.25%. The bonds are subject to optional redemption on any interest payment date on or after May 1, 2005 at various redemption prices. The annual debt service is paid from property tax increment generated in the project area. The balance outstanding at June 30, 2002, was \$7,460,000.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

**A. Tax Allocation Bonds, Continued**

1994 Subordinate Tax Allocation Refunding Bonds, Series C, Continued

The annual debt service requirements for the 1994 Subordinate Tax Allocation Refunding Bonds, Series C outstanding at June 30, 2002 were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 135,000	\$ 607,158	\$ 742,158
2004	145,000	597,370	742,370
2005	155,000	586,712	741,712
2006	170,000	574,312	744,312
2007	180,000	560,712	740,712
2008-2012	1,150,000	2,561,962	3,711,962
2013-2017	1,695,000	2,018,975	3,713,975
2018-2022	2,510,000	1,198,725	3,708,725
2023-2025	1,320,000	165,413	1,485,413
<b>Total</b>	<b>\$ 7,460,000</b>	<b>\$ 8,871,339</b>	<b>\$ 16,331,339</b>

2000 Tax Allocation Bonds

In October 2000, the Agency issued \$17,000,000 2000 Tax Allocation Bonds, to provide funds to fund a reserve account, to pay expenses of the agency in connection with the issuance of the bonds and to finance or refinance certain redevelopment activities. The bonds consist of \$9,535,000 serial bonds which mature from 2001 to 2030 in amounts ranging from \$100,000 to \$715,000 and term bonds of \$1,440,000 and \$6,025,000 which mature in 2022 and 2029, respectively. Interest is payable semiannually on March 1 and September 1 at interest rates ranging from 4.30% to 5.375%. The bonds are subject to optional redemption on any interest payment date on or after September 1, 2004, at various redemption prices. The bonds are payable solely from certain tax increment revenues of the Agency and other funds held under the indenture. The balance outstanding at June 30, 2002, was \$16,900,000.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

**A. Tax Allocation Bonds, Continued**

2000 Tax Allocation Bonds, Continued

The annual debt service requirements for the 2000 Tax Allocation Bonds outstanding at June 30, 2002 were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 125,000	\$ 853,180	\$ 978,180
2004	135,000	847,590	982,590
2005	360,000	836,948	1,196,948
2006	375,000	821,145	1,196,145
2007	390,000	804,697	1,194,697
2008-2012	2,210,000	3,748,743	5,958,743
2013-2017	2,655,000	3,175,681	5,830,681
2018-2022	3,170,000	2,443,197	5,613,197
2023-2027	4,115,000	1,479,862	5,594,862
2028-2031	3,365,000	333,116	3,698,116
<b>Total</b>	<b>\$ 16,900,000</b>	<b>\$ 15,344,159</b>	<b>\$ 32,244,159</b>

**B. Pension Obligation Bonds**

The Pension Obligation Bonds, Series 1994 were issued by the City to pay the obligations from the City to the California Public Employees Retirement System for the City's unfunded pension liability. The total issue is comprised of the following: (1) Current Interest Bonds with original amount due of \$7,415,000. These bonds mature in amounts ranging from \$310,000 in 1996 to \$1,820,000 in 2009. Interest is payable semi-annually on February 1 and August 1, beginning February 1, 1996, at interest rates ranging from 6.05% to 7.875% annually; (2) \$7,000,000 Term Bonds are due August 1, 2011, with a stated annual interest rate of 8.15%; (3) Capital Appreciation Bonds, with original amount due of \$2,371,532.

These bonds mature in the initial principal amounts ranging from \$800,000 in 2002 to \$1,095,000 in 2005 and \$480,036 in 2006. The effective annual yield on these bonds ranges from 7.690% to 8.34%. The bonds are not limited as to payment to any special source of funds of the City. The accredited value of the Pension Obligation Bonds at June 30, 2002 was \$15,456,449.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

***B. Pension Obligation Bonds, Continued***

The annual debt service requirements for the Pension Obligation Bonds outstanding at June 30, 2002 are as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 472,542	\$ 1,365,893	\$ 1,838,435
2004	476,121	1,457,314	1,933,435
2005	480,409	1,558,026	2,038,435
2006	480,037	1,668,398	2,148,435
2007	1,380,000	889,961	2,269,961
2008-2012	10,415,000	2,319,410	12,734,410
Total	13,704,109	\$ 9,259,002	\$ 22,963,111
Add: Accreted Value	1,752,340		
<b>Total</b>	<b>\$ 15,456,449</b>		

***C. Certificates of Participation***

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
1993 Refunding COP	\$ 8,235,000	\$ -	\$ (495,000)	\$ 7,740,000
1993 COP	2,415,000	-	(135,000)	2,280,000
1996 COP ABAG37, Series A	1,335,000	-	(655,000)	680,000
2000 COP, Series A	25,255,000	-	(855,000)	24,400,000
2002 COP	-	60,145,000	-	60,145,000
<b>Total</b>	<b>\$ 37,240,000</b>	<b>\$ 60,145,000</b>	<b>\$ (2,140,000)</b>	<b>\$ 95,245,000</b>

**1993 Refunding Certificates of Participation**

In March 1993, the Agency issued \$11,285,000 1993 Refunding Certificates of Participation to advance refund the 1987 Series Certificates of Participation. The certificates mature in amounts ranging from \$425,000 in 1998 to \$925,000 in 2012. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 4.80% to 6%. The certificates maturing after September 1, 2003 are subject to redemption at premiums ranging from zero to 2%. The debt service on the Certificates is funded by capital lease payments from the City's General Fund to the Agency to be repaid from future Agency revenues. The outstanding balance at June 30, 2002, was \$7,740,000.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

***C. Certificates of Participation, Continued***

The annual debt service requirements for the 1993 Refunding Certificates of Participation outstanding at June 30, 2002, were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 525,000	\$ 441,508	\$ 966,508
2004	550,000	411,670	961,670
2005	585,000	379,598	964,598
2006	610,000	345,235	955,235
2007	655,000	308,223	963,223
2008-2012	3,890,000	917,700	4,807,700
2013	925,000	27,750	952,750
<b>Total</b>	<b>\$ 7,740,000</b>	<b>\$ 2,831,684</b>	<b>\$ 10,571,684</b>

**1993 Certificates of Participation**

In December 1993, the Agency issued \$3,115,000 1993 Refunding Certificates of Participation to provide capital improvements in the Town Centre II Redevelopment Project. The net proceeds of \$2,600,000 were paid to Homart Development Co., for construction of a public parking facility. The certificates mature in amounts ranging from \$125,000 in 1998 to \$250,000 in 2013. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 4.20% to 5.8%. The certificates maturing after September 1, 2003, are subject to redemption at premiums ranging from zero to 2%. The debt service on the certificates is funded by capital lease payments from the City's General Fund to the Agency to be repaid from future Agency revenues. The outstanding balance at June 30, 2002, was \$2,280,000.

The annual debt service requirements for the 1993 Certificates of Participation outstanding at June 30, 2002 were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 140,000	\$ 122,588	\$ 262,588
2004	150,000	115,263	265,263
2005	155,000	107,408	262,408
2006	165,000	99,005	264,005
2007	170,000	90,042	260,042
2008-2012	1,010,000	292,372	1,302,372
2013-2014	490,000	28,710	518,710
<b>Total</b>	<b>\$ 2,280,000</b>	<b>\$ 855,388</b>	<b>\$ 3,135,388</b>

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

***C. Certificates of Participation, Continued***

*1996 Certificates of Participation ABAG37, Series A*

In July 1996, the Agency issued \$4,315,000 1996 Certificates of Participation ABAG37, Series A, to advance refund the 1987 Certificates of Participation. The certificates mature from 1998 to 2002 in annual installments ranging from \$580,000 to \$680,000. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 3.7% to 4.75%. The certificates are subject to extraordinary redemption prior to maturity from net proceeds of insurance, title insurance, condemnation, or eminent domain award without premium. The debt service on the certificates is funded by capital lease payments from the City's General Fund to the Agency to be repaid from future Agency revenues. The outstanding balance at June 30, 2002 was \$680,000

The annual debt service requirements for the 1996 Certificates of Participation ABAG37, Series A outstanding at June 30, 2002 were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 680,000	\$ 16,150	\$ 696,150
<b>Total</b>	<b>\$ 680,000</b>	<b>\$ 16,150</b>	<b>\$ 696,150</b>

*2000 COP, Series A*

In October 2000, the Agency issued \$25,255,000 2000 Certificates of Participation, Series A to improve the City's 800 Megahertz emergency communications system, improve the City's Corporation Yard, finance a reserve account for the certificates, and pay the costs of issuance incurred in connection with the execution and delivery of the certificates. The certificates mature in amounts ranging from \$855,000 in 2001 to \$1,790,000 in 2020. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 4.25% to 5.25%. The certificates maturing after September 1, 2010, are subject to redemption at premiums ranging from zero to 2%. The lease payments are funded from the Residential Construction Tax Fund, General Fund, Gas Tax Fund and various other financing sources. The outstanding balance at June 30, 2002 was \$24,400,000.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

*C. Certificates of Participation, Continued*

The annual debt service requirements for the 2000 Certificates of Participation outstanding at June 30, 2002 were as follows:

2000 COP, Series A, Continued

Year Ending June 30,	Principal	Interest	Total
2003	\$ 995,000	\$ 1,148,600	\$ 2,143,600
2004	1,040,000	1,106,312	2,146,312
2005	1,085,000	1,062,112	2,147,112
2006	1,130,000	1,016,000	2,146,000
2007	1,180,000	966,562	2,146,562
2008-2012	5,615,000	4,080,590	9,695,590
2013-2017	6,700,000	2,316,820	9,016,820
2018-2022	6,655,000	1,307,580	7,962,580
<b>Total</b>	<b>\$ 24,400,000</b>	<b>\$ 13,004,576</b>	<b>\$ 37,404,576</b>

2002 COP

In June 2002, the Chula Vista Public Financing Authority issued its 2002 Certificates of Participation to provide funds to construct the City's Police Headquarters, finance the reserve account of the certificates, to capitalize interest during construction and to pay the cost of issuance of the certificates. The source of repayment of the certificates is the lease payments to be made by the City to the Authority. Interest is payable semiannually on February 1 and August 1 of each year commencing February 1, 2003. The certificates mature in 2032 and principal is payable on August 1 each year commencing August 1, 2005. As of June 30, 2002 the outstanding balance is \$60,145,000.



**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

***C. Certificates of Participation, Continued***

*2002 COP, Continued*

The annual debt service requirements for the 2000 Certificates of Participation outstanding at June 30, 2002 were as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ -	\$ 1,559,832	\$ 1,559,832
2004	-	2,960,180	2,960,180
2005	-	2,800,696	2,800,696
2006	1,125,000	2,783,821	3,908,821
2007	1,160,000	2,749,546	3,909,546
2008-2012	6,470,000	11,845,057	18,315,057
2013-2017	7,960,000	11,802,966	19,762,966
2018-2022	10,020,000	9,855,426	19,875,426
2023-2027	12,890,000	7,129,500	20,019,500
2028-2032	16,650,000	3,550,000	20,200,000
2033	3,870,000	193,500	4,063,500
<b>Total</b>	<b>\$ 60,145,000</b>	<b>\$ 57,230,524</b>	<b>\$ 117,375,524</b>

***D. Notes Payable***

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Parking Structure Note	\$ 343,798	\$ -	\$ (9,826)	\$ 333,972
Cypress Creek Company	413,941	-	(98,657)	315,284
<b>Total</b>	<b>\$ 757,739</b>	<b>\$ -</b>	<b>\$ (108,483)</b>	<b>\$ 649,256</b>

In January 1994, the City entered into a note payable with a private party in order to purchase certain land and improvements for the ultimate purpose of constructing a three-level parking structure. The note calls for 240 monthly payments of principal and interest, commencing in April 1994 in the initial amount of \$2,548 and increasing 3% percent annually. The annual interest rate is 8.29%.

In June 1995, the Agency entered into a note payable with Cypress Creek Company in order to provide for reimbursement of the Agency's agreed-upon share of the site acquisition costs under the Palomar Trolley Center Disposition and Development Agreement. Installment payments of principal and interest will be payable within 30 days of the Agency receiving "Detailed Reports" from the State Board of Equalization itemizing the sources of the State Board of Equalization reconciliation payment for "Sales Tax Revenues." The Agency will remit an amount equal to 30% of the sales tax revenues generated by the project until the unpaid principal balance, plus any accrued interest is paid in full. Simple interest accrues at 7% annually.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

***E. Capital Leases***

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
1998 Refunding Lease	\$ 3,497,722	\$ -	\$ (664,578)	\$ 2,833,144
1999 Library Computerized Catalog	488,687	-	(130,273)	358,414
San Diego County Regional Communication System	-	2,672,402	(144,743)	2,527,659
1996 Capital Leases for acquisition of duplicating equipment	3,365	-	(3,365)	-
<b>Total</b>	<u>\$ 3,989,774</u>	<u>\$ 2,672,402</u>	<u>\$ (942,959)</u>	<u>\$ 5,719,217</u>

In April 1998, the City entered into a \$5,259,249 refunding lease-purchase agreement to refinance the existing lease-purchase agreement that financed the acquisition of an automated communication dispatch system, 800 MHZ radio communication equipment, heating and air conditioning retrofit project and to purchase a new financial management system. Lease payments ranging from \$55,475 to \$423,303 are due semi-annually on December 1 and June 1, starting December 1, 1998 and ending June 1, 2008. The lease payment includes interest at 6.28%. The lease payments are funded from the Residential Construction Tax Fund, utility savings generated and various other funding sources.

In December 1999, the City entered into a capital lease to finance the replacement of the Chula Vista Library computerized catalog and circulation system. Lease payments of \$77,715 are due semi-annually on December 1 and June 1, starting June 1, 2000, and ending December 1, 2004. The lease payments include interest at 5.51%. The lease payments are funded from State Library Grant revenues.

The City has agreed to participate in the San Diego County Regional Communications System (RCS). The City will finance its share of the RCS network infrastructure over 14 years and its total contribution will be \$2,809,405. The agreement with the County will provide the City with full partnership in the RCS.

In October 1996, the City entered into two capital leases to finance the acquisition of duplicating equipment. The leases of \$54,588 and \$9,532 are payable in monthly payments of \$1,152 and \$206 through September and October 2001, respectively.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

***F. Special Assessment Debt - Non-City Obligations***

Bonds issued to finance public improvements projects in certain assessment districts are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders.

The City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith, credit, nor the taxing power of the City is pledged to the payment of the bonds. Therefore, none of the following obligations are included in the accompanying basic financial statements.

At June 30, 2002, the total special assessment debt outstanding was as follows:

	Original Amount	Outstanding June 30, 2002
99-1 Otay Ranch SPA One 2001 Special Tax Bonds	\$ 19,000,000	\$ 19,000,000
Refunding Revenue Bonds 2001 Residential	20,445,000	20,445,000
Refunding Revenue Bonds 2001 Commercial	9,705,000	9,705,000
1994 Eastlake Greens II	7,464,474	4,540,000
1995 Assessment Bond Refinancing	19,255,000	13,815,000
1997 Otay Ranch	12,430,000	12,200,000
1997 McMillin SPA	11,825,000	11,535,000
1999 Otay Ranch I	23,000,000	22,705,000
2000 Sunbow II	7,385,000	7,295,000
Industrial Development Revenue Bonds, 1992 Series A, B, C, D, E	250,000,000	225,000,000
Industrial Development Revenue Bonds, 1996 Series A, B, C, D, E	98,900,000	98,900,000
Industrial Development Revenue Bonds, 1997 Series A, B, C, D, E	25,000,000	25,000,000
<b>Total</b>	<b>\$ 504,409,474</b>	<b>\$ 470,140,000</b>

On May 29, 1986, the Agency advanced refunded the \$7,150,000 1979 Tax Allocation Bonds by placing in an irrevocable trust amount sufficient to meet all future debt service payments of the refunded debt. As a result the 1979 bonds were considered defeased and the liability was removed from the City's books. The outstanding balance at June 30, 2002, was \$2,530,000.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**6. LONG-TERM DEBT, Continued**

**Governmental Activities Long-Term Debt, Continued**

**G. Compensated Absences**

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) has been accrued and amounts to \$4,028,970 at June 30, 2002. In business-type funds, the liability is reported in the fund as the benefits vest and are earned.

**H. Debt Compliance**

At June 30, 2002, City management believes that the City has complied with all requirements of its various debt agreements.

**7. DEFERRED REVENUE**

Deferred revenue is reported as follows:

	Balance June 30, 2002
Interest receivable on:	
Advances to other funds	\$ 7,947,491
Loans receivable:	
South Bay Community Services	784,224
CHIP	228,926
Eastlake Development Company	149,786
Chelsea Investment	51,058
Chula Vista Bayfront Conservancy Trust	2,966,171
St. Regis Park	168,282
South Bay Community Villas, L.P.	73,710
Long-term receivables	185,228
Public Facilities Development Impact fee Prepayment	5,266,123
Other	2,537,908
<b>Total deferred revenue</b>	<b>\$ 20,358,907</b>

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

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**8. OTHER REQUIRED FUND DISCLOSURES**

**A. Deficit Fund Balances**

At June 30, 2002, the following funds had deficit fund equity:

Bayfront Conservancy Trust	<u>\$ (8,059,661)</u>
Transportation Partnership Fund	<u>\$ (634,930)</u>

**9. SELF-INSURANCE ACCRUED LIABILITIES**

For comprehensive general liability including personal injury, property damage, errors and omissions, automobile liability and employment practices liability the City is self-insured for the first \$250,000 per occurrence. The City is a member of the San Diego Pooled Insurance Program Authority (SANDPIPA) insurance pool to insure losses from \$250,000 to \$2,000,000 (\$1,000,000 for employment practices liabilities). Additionally, through SANDPIPA, the City participates in the group purchase of excess liability coverage which provides coverage from \$2,000,000 to \$42,000,000 for general liability and \$41,000,000 excess of the pool for employment practices liability for each city, for each occurrence.

For workers' compensation liabilities the City is self-insured for the first \$250,000 per each accident per employee. For excess workers' compensation insurance, the City participates in a group purchase arrangement with the nine members of SANDPIPA who are self-insured for workers' compensation. The policy covers statutory limits for workers' compensation claims and \$5,000,000 for employer's liability.

SANDPIPA is a joint powers authority comprised of twelve cities located within San Diego County. The Board of Directors consists of one staff representative (and an alternate) from each member city as designated by the city's governing body. Each member city has equal representation on the Board of Directors. The Board of Directors has total liability responsibility for all actions of SANDPIPA.

The SANDPIPA Board of Directors establishes an Executive Committee that is responsible for the administration and operation of the risk management programs of the Authority, subject to the control of the Board. The membership of the Executive Committee consists of the Board President, Vice-President and Treasurer, and a member at-large nominated by the Board President and approved by the vote of the Board. The Executive Committee is responsible for the oversight of all SANDPIPA operations, including preparation and submittal of the pool's annual budget to the Board for its review and approval.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**9. SELF-INSURANCE ACCRUED LIABILITIES, Continued**

Annual pool premiums and assessments are approved by the Board of Directors and are adjusted annually based on the City's share of:

- Each member's incurred losses;
- Each member's share of such losses and other expenses as a proportion of all members such losses;
- The contribution to reserves, including reserves for incurred-but-not-reported (IBNR) losses;
- Cost to purchase excess insurance; and
- Cost to purchase any additional coverage

Only the probable amounts of loss as estimated by the City's Risk Manager and Attorney, including an estimate of incurred-but-not reported losses, have been recorded as liabilities in the accompanying basic financial statements. There were no reductions in insurance coverage from the prior year and there were no insurance settlements which exceeded coverage in each of the past three years.

The aggregate change in the balance of claims payable as recorded in the Governmental Activities were as follows:

	June 30,	
	2002	2001
Unpaid claims, beginning of year	\$ 3,832,672	\$ 3,084,068
Incurred claims and changes in estimates	6,472,599	2,035,218
Claim payments	(3,438,885)	(1,286,614)
<b>Unpaid claims, end of year</b>	<b>\$ 6,866,386</b>	<b>\$ 3,832,672</b>

**10. PENSION PLANS**

***A. California Public Employees' Retirement Plan***

*Plan Description*

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**10. PENSION PLANS, Continued**

**A. California Public Employees' Retirement Plan, Continued**

Funding Policy

Active plan members are required by State statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$4,450,685 for the year ended June 30, 2002. The City employer is required to contribute at an actuarial determined rate of 0% and 0% of annual covered payroll for miscellaneous and safety employees, respectively.

Annual Pension Cost – For 2001-2002, the City's annual pension cost of \$0 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 1999, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.75% to 14.2% for miscellaneous employees and 3.75% to 11.59% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2002, was 58 years for miscellaneous employees and 10 years for safety employees for prior and current service unfunded liability.

**THREE-YEAR TREND INFORMATION FOR PERS**

<u>Fiscal Year</u>	<u>Pension Cost (APC)</u>	<u>APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/00	\$ 3,468,232	100%	\$ -
6/30/01	3,777,173	100%	-
6/30/02	4,450,685	100%	-

**B. Defined Contribution Pension Plan**

The City provides pension plan benefits for all of its part-time employees through a defined contribution plan (Public Agency Retirement Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the City's 457 Plan. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council resolved to match the employees' contributions of 3.75%. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2002, the City's total payroll and covered payroll was \$2,588,381. The City made employer contributions of \$97,064 (3.75% of current covered payroll), and employees contributed \$97,064 (3.75% of current covered payroll).

**City of Chula Vista**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2002**

**11. CONTINGENCIES**

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

**12. PRIOR PERIOD ADJUSTMENT**

**A. Government-Wide Statements**

During the fiscal year 2002, the City implemented GASB Statement No. 34 which resulted in the following adjustments. Also the City recorded some prior period adjustments to record last year GASB Statement No. 31, reverse last year interest accrual and to record some advances.

	Net Assets as Previously Reported	GASB 34 Adjustments		Prior Period Adjustments	Net Assets as Restated
		Capital Assets	Long-term Debt		
<b>Government-Wide Activities:</b>					
Net assets	\$ 260,737,220	\$ 363,261,008	\$ (158,461,578)	\$ (769,079)	\$ 464,767,571
<b>Total government-wide activities</b>	<u>\$ 260,737,220</u>	<u>\$ 363,261,008</u>	<u>\$ (158,461,578)</u>	<u>\$ (769,079)</u>	<u>\$ 464,767,571</u>

**B. Fund Financial Statements**

The City recorded the following prior period adjustments to record last year GASB Statement No. 31 and to correct some accounting errors.

	Fund Balance as Previously Reported	Prior Period Adjustments	Fund Balance as restated
General	\$ 46,422,947	\$ 330,014	\$ 46,752,961
Sewer Fund	43,312,518	233,894	43,546,412
Development Impact Fund	51,697,245	310,567	52,007,812
Redevelopment Agency Capital Projects Fund	40,298,249	29,299	40,327,548
Capital Improvements Capital Projects Fund	15,905,752	2,843	15,908,595
Non-Major Governmental Funds	57,947,909	(43,541,948)	14,405,961
Transit Fund	3,529,067	4,598,239	8,127,306
Bayfront Trolley Station Fund	-	240	240
Bayfront Conservancy Trust	(7,055,490)	1,075	(7,054,415)
Internal Service Fund	5,152,600	10,549	5,163,149
<b>Total governmental activities</b>	<u>\$ 257,210,797</u>	<u>\$ (38,025,228)</u>	<u>\$ 219,185,569</u>



## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Chula Vista**  
**Required Supplementary Information**  
**For the year ended June 30, 2002**

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**Budgets and Budgetary Accounting**

An annual budget is adopted by the City Council prior to the first day of the fiscal year. The budget process includes submittal of each department's budget request for the next fiscal year, a detailed review of each department's proposed budget by the City Manager, and a final City Manager recommended budget that is transmitted to the City Council for its review before the required date of adoption. Once transmitted to the City Council, the proposed budget is made available for public inspection. A public hearing is held to give the public the opportunity to comment upon the proposed budget. Notice of such public hearing is given in a newspaper of general circulation.

The adoption of the budget is accomplished by the approval of a Budget Resolution. The legal level of budgetary control is at the department level. Any budget modification, which would result in an appropriation increase, requires City Council approval. The City Manager and Finance Director are jointly authorized to transfer appropriations within a departmental budget. Any appropriation transfers between departments require City Council approval.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. All appropriations which are not obligated, encumbered or expended at the end of the fiscal year lapse become a part of the unreserved fund balance which may be appropriated for the next fiscal year.

An annual budget for the year ended June 30, 2002, was adopted and approved by the City Council for the general, special revenue and debt service funds. These budgets are prepared on the modified accrual basis of accounting except that encumbrances outstanding at year-end are considered as expenditures. The budgets of the capital projects funds are primarily long-term budgets, which emphasize major programs and capital outlay plans extending over a number of years. Because of the long-term nature of these projects, annual budget comparisons are not considered meaningful, and accordingly, no budgetary information for capital projects funds is included in the accompanying basic financial statements.

The following schedule is a reconciliation of the budgetary and GAAP fund balances:

	General Fund	Sewer Special Revenue Fund
Fund balances - budgetary basis	\$ 53,250,757	\$ 38,192,771
Outstanding encumbrances	3,068,795	4,805,582
<b>Fund balances - GAAP basis</b>	<b>\$ 56,319,552</b>	<b>\$ 42,998,353</b>

**City of Chula Vista**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2002**

**Budgetary Comparison Schedule, General Fund**

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with
	Original	Final	Amounts	Final Budget
<b>Fund Balance, July 1</b>	<b>\$ 46,752,961</b>	<b>\$ 46,752,961</b>	<b>\$ 46,752,961</b>	<b>\$ -</b>
Resources (inflows):				
Taxes	47,298,615	47,649,615	51,457,719	3,808,104
Intergovernmental	15,023,205	16,356,102	15,882,300	(473,802)
Licenses and permits	3,335,613	3,495,837	3,458,645	(37,192)
Charges for services	13,187,301	13,519,731	11,471,285	(2,048,446)
Fines and forfeitures	976,597	976,597	920,531	(56,066)
Use of money and property	1,944,958	2,122,851	3,595,682	1,472,831
Other revenues	10,988,825	11,340,517	13,359,798	2,019,281
Transfers from other funds	9,970,156	15,224,318	15,010,230	(214,088)
Amount available for appropriation	<u>149,478,231</u>	<u>157,438,529</u>	<u>161,909,151</u>	<u>4,470,622</u>
Charges to appropriations (outflows):				
General government	24,168,956	26,934,203	25,436,315	1,497,888
Public safety	40,621,579	41,955,280	40,065,589	1,889,691
Public works	19,709,349	20,091,474	19,944,466	147,008
Parks and recreation	8,791,182	8,855,995	8,037,838	818,157
Library	7,362,475	7,487,226	6,947,890	539,336
Non-departmental:				
Capital outlay	1,404,143	7,431,412	6,276,379	1,155,033
Debt service:				
Principal	33,872	33,872	-	33,872
Interest	69,645	69,645	69,645	-
Transfers to other funds	<u>4,059,606</u>	<u>4,201,891</u>	<u>1,880,274</u>	<u>2,321,617</u>
Total charges to appropriations	<u>106,220,807</u>	<u>117,060,998</u>	<u>108,658,396</u>	<u>8,402,602</u>
Excess of resources over (under) charges to appropriations	<u>(3,495,537)</u>	<u>(6,375,430)</u>	<u>6,497,794</u>	<u>12,873,224</u>
<b>Fund balance, June 30</b>	<b>\$ 43,257,424</b>	<b>\$ 40,377,531</b>	<b>\$ 53,250,755</b>	<b>\$ 12,873,224</b>

**City of Chula Vista**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2002**

**Budgetary Comparison Schedule, Sewer Special Revenue Fund**

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with
	Original	Final	Amounts	Final Budget
<b>Fund balance, July 1</b>	\$ 43,546,412	\$ 43,546,412	\$ 43,546,412	\$ -
Resources (inflows):				
Charges for services	19,087,214	19,136,376	22,600,285	3,463,909
Use of money and property	2,182,108	2,201,966	2,773,475	571,509
Other revenues	210,000	210,000	385,718	175,718
Proceeds from long-term debt	-	-	-	-
Transfers from other funds	1,340,000	1,340,000	1,340,000	-
Amount available for appropriation	66,365,734	66,434,754	70,645,890	4,211,136
Charges to appropriations (outflows):				
Public works	15,274,845	15,371,845	14,737,079	634,766
Non-departmental:				
Capital outlay	9,436,750	10,280,225	8,815,566	1,464,659
Transfers to other funds	10,278,033	10,327,195	8,900,474	1,426,721
Total charges to appropriations	34,989,628	35,979,265	32,453,119	3,526,146
Excess of resources over (under) charges to appropriations	(12,170,306)	(13,090,923)	(5,353,641)	7,737,282
<b>Fund balance, June 30</b>	\$ 31,376,106	\$ 30,455,489	\$ 38,192,771	\$ 7,737,282

**City of Chula Vista**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2002**

**PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)**  
**SCHEDULE OF FUNDING PROGRESS**

*Miscellaneous Employees*

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Overfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded Actuarial Liability as Percentage of Covered Payroll
6/30/1999	\$ 119,219,693	\$ 84,025,110	\$ 35,194,583	141.89%	\$ 23,987,336	146.72%
6/30/2000	132,880,629	96,209,510	36,671,119	138.12%	30,080,412	121.91%
6/30/2001	138,800,687	132,693,419	6,107,268	104.60%	35,246,083	17.33%

*Safety Employees*

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Overfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded Actuarial Liability as Percentage of Covered Payroll
6/30/1999	\$ 139,419,049	\$ 107,103,394	\$ 32,315,655	130.17%	\$ 13,833,505	233.60%
6/30/2000	153,368,952	116,455,722	36,913,230	131.70%	15,099,374	244.47%
6/30/2001	157,972,500	132,206,831	25,765,669	119.49%	17,247,370	149.39%

